

Message Text

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ACTION COME-00

INFO OCT-01 EUR-12 ISO-00 EB-07 DODE-00 CIAE-00 INR-07

NSAE-00 PM-03 TRSE-00 OMB-01 MC-02 L-02 H-02 IGA-01

/038 W

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R 010843Z MAY 75

FM AMEMBASSY BERN

TO SECSTATE WASHDC 629

SECDEF WASHDC

INFO USCINCEUR VAIHINGEN GERMANY

AMCONSUL ZURICH

AMEMBASSY VIENNA

CSAF/LGFX

C O N F I D E N T I A L BERN 1818

DOD FOR ASD:ISA (SA/DSAA/TS)

E.O. 11652: GDS

TAGS: MASS, BEXP, ETRD, SZ

SUBJECT: SALE TO SWITZERLAND OF F-5E AIRCRAFT

REF: A) SECDEF MSG 231340Z; B) BERN 1045

1. SUMMARY. SWISS ARE ANXIOUS TO HAVE OFFSET ARRANGEMENT IN CONNECTION PROPOSED F-5E PURCHASE WORKED OUT AS SOON AS POSSIBLE, AND HOPE TO RECEIVE DOD DRAFT BEFORE MAY 12 ZURICH MEETING BETWEEN US AND SWISS INDUSTRY REPS. ARRANGEMENT VIEWED AS VITAL TO SHOW FEDERAL COUNCIL AND PARLIAMENT THAT SWISS INDUSTRY WILL ALSO RECEIVE BENEFITS FROM MAJOR PROCUREMENT IN US. EMBASSY CONVINCED THAT SWISS EXPECTATIONS ARE VERY HIGH AND FAILURE TO SATISFY THEM INCREASINGLY RUNS RISKS OF DELAY. END SUMMARY.

2. EMBASSY DCM, AIR ATTACHE AND E/C COUNSELOR MET WITH SWISS ARMAMENTS AGENCY CHIEF (GROSSENBACHER) AND HIS
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PRINCIPAL ASSISTANT CONCERNED PROPOSED F-5E PURCHASE

(HUBER) APRIL 30 FOR GENERAL DISCUSSION PRESENT SITUATION AND PROSPECTS.

3. ALONG LINES REFTTEL B AND HIS PRESENTATION AT DOD IN MARCH, GROSSENBACHER EMPHASIZED THAT FOR POLITICAL AND PRESENTATIONAL REASONS IT WAS ESSENTIAL BE ABLE SHOW SWISS PARLIAMENT THAT SWISS INDUSTRY ALSO RECEIVING BENEFITS FROM MAJOR AIRCRAFT PURCHASE. THIS PARTICULARLY THE CASE AS SWISS ECONOMY IS IN STATE OF RECESSION WITH EXPORT-ORIENTED SECTORS PARTICULARLY HARD HIT BY SHARP RECENT APPRECIATION OF SWISS FRANC.

4. GROSSENBACHER SAID HE APPRECIATED REF A MESSAGE FROM DEPUTY SECRETARY CLEMENTS AND COULD UNDERSTAND PROBLEMS DRAFTING SUITABLE AGREEMENT. BUT HE STRONGLY EMPHASIZED A) TIGHT TIME FACTOR; AND B) DESIRE THAT UNDERSTANDING BE ESSENTIALLY BETWEEN DOD AND GRD. ON TIMING, GRD WANTS BE ABLE BY 1 JUNE SEND MESSAGE WITH DETAILED RATIONALE AND RECOMMENDATIONS TO FEDERAL COUNCIL (CABINET) SO THAT LATTER CAN TAKE DECISION IN JULY. MESSAGE THEN WOULD BE FORWARDED TO PARLIAMENT AT ITS SEPTEMBER SESSION FOR ACTION BY TWO CHAMBERS AT DECEMBER AND MARCH 1976 SESSIONS. GRD VERY MUCH HOPES THAT DRAFT DOD OFFSET DOCUMENT CAN BE RECEIVED BY SWISS PRIOR MAY 12 WHEN MEETING SCHEDULED IN ZURICH BETWEEN NORTHROP/GE REPS AND SWISS INDUSTRY WITH OBSERVERS EXPECTED BE PRESENT FROM DOD AND EMBASSY. GRD WOULD HOPE THAT DURING WEEK OF MAY 12 DRAFT COULD BE DISCUSSED WITH VISITING DOD OBSERVERS. GRD CAN UNDERSTAND SOME NEED FOR INTER-AGENCY COORDINATION IN WASHINGTON, BUT IT WILL ALSO HAVE TO DISCUSS DRAFT IN BERN WITH POLITICAL DEPARTMENT (FOREIGN MINISTRY) AND DIVISION OF COMMERCE. THUS, GROSSENBACHER WOULD LIKE TO KNOW AS SOON AS POSSIBLE WHEN DOD DRAFT MOU WILL BE AVAILABLE.

5. ON SUBSTANCE, GROSSENBACHER SAID THAT SWISS ARE INTERESTED IN COMPETITIVE PURCHASE UMBRELLA-TYPE AGREEMENT WITH DOD WHICH WOULD SET FIGURE OF \$250 MILLION OVER LIFE OF AIRCRAFT PURCHASE AND WHICH WOULD BE CONFIDENTIAL

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SATISFIED INTER ALIA BY WHATEVER NORTHROP AND GE CAN DO PLUS OPPORTUNITIES FOR SWISS FIRMS TO COMPETE FOR DOD AND POSSIBLY OTHER USG PROCUREMENT. LATTER WOULD BE ACHIEVED THROUGH WAIVING DOD PROCUREMENT REGULATIONS TO ALLOW TENDERS AND SOURCING FROM SWITZERLAND. IMPLEMENTATION COULD BE MONITORED BY JOINT GRD/DOD GROUP. GROSSENBACHER APPRECIATED ATTITUDE OF NORTHROP/GE BUT SEEMED DOUBTFUL THEY COULD BY THEM-

SELVES COME UP WITH SUFFICIENTLY INTERESTING PACKAGE
UNLESS DOD TOOK MORE DIRECT INTEREST THROUGH MODIFICATION
OF PROCUREMENT DIRECTIVES OR IN SOME OTHER WAY. HE
SAID IT ESSENTIAL THAT THERE BE SOMETHING MORE THAN
"BEST EFFORTS" UNDERTAKING BEFORE MESSAGE GOES FORWARD
TO FEDERAL COUNCIL IN JUNE.

6. GROSSENBACHER AND HUBER ALSO BRIEFLY MENTIONED
POSSIBLE CHANGES IN BUY AMERICAN ACT AND/OR REDUCTION
OF US TARIFFS ON SWISS GOODS, BUT EMBOFFS RESPONDED
THAT IN OUR OPINION THESE IDEAS WERE CLEARLY NON-
STARTERS GIVEN ROLE OF CONGRESS AND PARTICIPATION OF
US AND SWITZERLAND IN MULTILATERAL TRADE NEGOTIATIONS.

7. GROSSENBACHER NOTED THAT F-5E IS CLEARLY FAVORED
AND IS SOLE AIRCRAFT IN CONSIDERATION AT THIS TIME,
BUT MADE THINLY VEILED REFERENCE TO HIS CONCERN
THAT FRENCH HAVE NOT ENTIRELY GIVEN UP HOPE OF MAKING
SALE TO SWITZERLAND AND WILL RETURN TO SCENE ES-
PECIALLY IF COMPENSATION PURCHASE HOPES OF SWISS SHOULD
FLOUNDER. GRD UNDERSTANDS THAT DASSAULT HAS
RECENTLY SOUGHT MEETING WITH SWISS INDUSTRIAL ASSOCIATION
(VSM).

8. SWISS PRESS HAS RECENTLY GIVEN ITS READERS IMPRESSION
THAT SOME SORT OF COMPENSATORY ARRANGEMENT WHICH WOULD
BENEFIT SWISS INDUSTRY WILL BE ARRANGED IN CONNECTION
F-5E PURCHASE.

9. EMBASSY COMMENT. GROSSENBACHER AND HUBER VERY MUCH
APPRECIATED FORTHCOMING ATTITUDE OF TOP DOD OFFICIALS
DURING THEIR RECENT VISIT WASHINGTON AND SUBSEQUENT
CORRESPONDENCE. THEY ARE EQUALLY HOPEFUL THAT SOME-
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THING WILL BE WORKED OUT.

10. THEY PROBABLY REALIZE, HOWEVER, THAT SUGGESTION
OF SOME FORM OF OFFSET CAME RATHER LATE AND THUS
TIGHT TIME SCHEDULE THEY NOW FACE IS PARTLY OF
THEIR OWN MAKING. GRD OFFICIALS ALSO SENSE THAT
ISSUES INVOLVED MAY BE MORE COMPLEX THAN THEY
ORIGINALLY REALIZED. BUT THEIR DESIRE THAT OFFSET
BE ARRANGED PRIMARILY BETWEEN GRD AND DOD IS ALSO
VERY REAL.

11. WE HAVE REPORTED PREVIOUSLY OUR DOUBTS THAT COM-
PENSATORY PURCHASE QUESTION WOULD BE DECISIVE IN SWISS
DECISION PROCESS. SINCE GRD AND SWISS INDUSTRY FEEL
THAT OFFSET IS FEASIBLE AND HAVE BEEN ENCOURAGED BY

CONTACTS WITH DOD AND APRIL ZURICH MEETING BETWEEN
INDUSTRY REPS, WE NOW THINK THAT FAILURE TO ACHIEVE
MUTUALLY SATISFACTORY ARRANGEMENT WOULD CLEARLY CAUSE
PROBLEMS AND DELAYS. WE STILL DOUBT, HOWEVER, THAT
BY ITSELF FAILURE TO ACHIEVE OFFSET WOULD SCUTTLE
SALE. BUT THE LONGER THE TIME THAT SWISS ARE LED TO
BELIEVE THAT SOME FORM OF OFFSET CAN BE ACHIEVED, THE GREATER THE
RISK THAT FAILURE TO REACH AGREEMENT WOULD AFFECT OVERALL
SALE.
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